



Utah State Tax Commission
Property Tax Division

210 North 1950 West / Salt Lake City, Utah 84134 / (801) 297-3600

2005 ANNUAL RETURN

This is an Annual Return to the Utah State Tax Commission of all property subject to assessment by the State Tax Commission, owned by _____ as of 12:00, on the first day of January, 2005, as required under the laws of Utah. This return must be filled out and mailed to the State Tax Commission on or before March 1, 2005 as prescribed by law.

Mailing Address: _____

FEIN #: _____

Company Name: _____

ATTN: _____

City, State, Zip: _____

State Taxpayer No. _____ Phone No. _____ Fax No. _____

I, _____, _____
(Name) (Title*)

of the above named company, being duly sworn, depose and say that I am the above entitled officer of the said company, and that the electronic file contains complete, true and correct listings of the costs of all property owned and/or leased by the said company in the State of Utah, at 12:00 noon, on the first day of January, 2005.

Signature

*President, Vice President, General Superintendent, Auditor, Tax Agent, or some other general officer of such company, as the case may be, who is authorized to file such a return.

UTAH OIL AND GAS COMPANIES

Re: Meeting with Oil and Gas Industry
February 24, 2005
Thursday: 10:00 AM
Utah State Tax Commission
210 North 1950 West
Salt Lake City, Utah 84107

Dear Tax Representative:

The Property Tax Division will be having its annual meeting with Utah Oil and Gas Industry, on the above date, to discuss the discount rate, escalation rates and oil and gas prices that will be used for the 2005 Oil and Gas Assessment.

We will also discuss operating expenses, particularly how they are affected by the decline in the well or unit production over the life of the property.

We have also added a question to the Oil and Gas Questionnaire. We are asking who is gathering the natural gas and oil; your company, a subsidiary or a third party.

You are invited and encouraged to attend and participate in this meeting to consider the parameters for the 2005 Oil and Gas Assessment. If you have any information you would like discussed, please submit a copy to the Property Tax division by February 17.

Respectfully Yours,

Marlo Edwards, Assistant Director

OIL & GAS ANNUAL RETURN INSTRUCTIONS FOR YEAR 2005

Section 59-2-207 (1) (a) of the Utah Code states the following: “A person, or an officer or agent of that person, owning or operating property described in Subsection (1)(b) shall file with the commission, on a form prescribed by the commission, a sworn statement on or before **March 1st** of each year: (i) showing in detail all real property and tangible personal property located in the state that the person owns or operates; and (ii) containing any other information the commission requires.”

The *Annual Return* is made up of eight (8) Sections:

1. The Signed Cover Letter
2. Personal Property Valuation Summary
3. Improvements Valuation Summary
4. Additions / Deletions of Personal Property & Improvements
5. Comparative Balance Sheet and Comparative Statements of Income
6. Leased Assets
7. Oil & Gas Questionnaire (Instructions included separately)
8. Construction Work In Progress (CWIP) Detail (Form not included in return)

The first seven sections of the *Annual Return* must be reviewed, completed and returned to the Tax Commission. Information can be furnished using the forms provided or may be submitted on a form prepared by the company as long as the necessary data is included and is presented in an understandable format.

The total purchase price of all personal property and improvements reported in Sections 2 and 3 should agree with the “Total Property Plant & Equipment” on the Comparative Balance Sheet in Section 5. “Total Operating Costs” reported on the Oil & Gas Questionnaire should agree with the “Lease Operating Expenses” located on the Comparative Statements of Income in Section 5.

The Signed Cover Letter:

This sheet must be signed by a person who is authorized to make such a return and returned to the Tax Commission. Please make any necessary corrections to “Company Name”, “Contact Person”, “Address”, or “Phone Number.”

Personal Property Valuation Summary:

This is a detailed list of all personal property by “State Property Number”. The items contained on the form are as follows:

Description – brief description of each personal property item.

Class – Class 20 is petroleum & natural gas exploration and production equipment; generally, all equipment will be classified as Class 20.

Year – This is the original manufactured / installation date of the equipment or the installed date of used equipment. It should represent the year the cost was incurred.

Cost – This is the original purchase price of the equipment plus transportation costs, installation costs and sales tax.

Continued on reverse side

Percent Good – Class 20 property is depreciated over twelve years, the percent good represents the un-depreciated value of the equipment. Equipment over twelve years old retains a minimum value, approximately nine percent.

Review this information and make corrections to “Year”, “Cost”, or “Description”. Additions and/or deletions should be detailed in the Additions / Deletions Section of the *Annual Return*.

Improvements Valuation Summary:

Instructions are the same as those for the “Personal Property Valuation Summary” (listed above).

Additions / Deletions of Personal Property & Improvements:

Include **all** personal property and improvements additions and deletions including any new or existing properties not included in the report. Production facilities as well as oil and gas wells must be reported. Indicate in the first column either an addition or deletion. Put the personal property class (usually class 20) or indicate improvement in the second column. Give a brief description of the property in column 3. Put the year of acquisition (purchase date) in column 4. Put the acquisition cost, including purchase price, transportation cost, installation costs and sales tax in column 5. Also include the change in value of materials and supplies as a line item on the report. If equipment is moved from one property to another it should be reported here also.

Income Statement and Balance Sheet:

Complete the Comparative Statement of Income for the year 2004 and the Comparative Balance Sheet as of January 1, 2005 for both your entire system and Utah only activity. In addition, please provide copies of your 10-K Report and *Annual Report to Shareholders*, including annual reports of the parent company and audited financial reports of the respondent to its parent company.

Leased Assets:

List all leased assets on your sites that you are **not** responsible for paying the property taxes. This equipment is reported to the counties and is locally assessed to the lessor. Report in other sections, as if purchased by you, leased equipment that you **are** responsible for the property taxes.

Construction Work In Progress (CWIP) Detail:

Major construction projects (compressor stations, processing plants, etc) that are partially complete on January 1 must be reported on the *Construction Work In Progress Form* at account balance (expended cost) as of January 1. Only include costs that are to be capitalized to property, plant, and equipment accounts. Only include amounts that are for expansion and not merely for existing plant replacement. The Construction Work In Progress form is not included in this packet. It is available upon request or at the above mentioned internet site.

OIL & GAS GATHERING AND PROCESSING PLANTS QUESTIONNAIRE INSTRUCTIONS FOR YEAR 2005

The instruction numbers below correspond with item numbers on the Questionnaire form. Complete only the areas, which are applicable and leave all other areas blank. No deductions are allowed for state and federal income taxes, property taxes, depreciation, depletion, interest expense, royalties or exploration costs. Listing an estimate of the 2005 operating costs is optional. If you leave this area blank, our office will estimate a future expense forecast based on your 2004 operating costs. Submit a copy of operating expense reports or lease operating statements if they are available. All information furnished is subject to audit by the Property Tax Division. An electronic version of the Questionnaire is available at <http://propertytax.utah.gov/forms.html>

GENERAL INFORMATION

1. **NAME OF FACILITY:** Enter the name of the facility.
2. **GROSS REVENUE:**
 - (a) Gathering Revenue: enter total revenue or amount per MCF or Bbl.
 - (b) Compression Revenue: enter total revenue or amount per MCF.
 - (c) Processing Revenue: enter total revenue or amount per MCF or Bbl.
 - (d) Other Revenue: enter total revenue or amount per MCF or Bbl.
3. **PLANT VOLUME:**
 - (a) Product input: enter total volume coming into the plant in MCF or Bbl or both.
 - (b) Product sales: enter total volume and sales amount per product.
 - (c) Plant Shrinkage: enter as a volume in MCF or Bbl or enter as a percent of product input.
4. **NGL PRODUCTION RATIO (GAL OF NGL'S/MCF OF GAS):** Indicate the number of gallons of NGL's produced per mcf of input gas. This ratio should be in decimal format. Example: one gallon of NGL is produced for every 100 mcf of gas produced would be listed as $1/100 = .01$.
5. **GATHERING VOLUME:** Enter total volume in MCF or Bbl.
6. **COMPRESSION VOLUME:** Enter total volume in MCF.
7. **SEVERANCE TAX ON PRODUCT PRODUCED:** Enter the amount of Severance Tax paid or the percentage of sales.
8. **ROYALTY OWNERSHIP INTEREST:** Royalty ownership interest should be in decimal format as shown in the example above for Indian tax rates.
9. **NAME OF PURCHASER OF PRODUCT:** List all purchasers of the products of the processing plants.

OPERATING COSTS

10. Please attach a copy of an Operating Statement or Operating Expense Report. If these reports are not available, detail the costs on a separate schedule. Examples of allowable costs include:
 - LABOR & MANAGEMENT SALARIES:** Only that portion of labor and management personnel salaries that pertain to the operation can be used as allowable costs.
 - PAYROLL TAXES AND BENEFITS:** Include any fringe benefits and taxes associated with allowable labor costs.
 - WORKERS COMPENSATION INSURANCE:** The amount paid for Workers Compensation Insurance or in lieu of such compensation insurance, insurance premiums paid as required under the Workers Compensation laws of Utah.
 - GENERAL INSURANCE:** General insurance policy premiums paid are allowed. Do not include self-insurance amounts, which may be listed on company records.
 - TAXES:** Do not include state and federal income taxes or property taxes.
 - SUPPLIES AND TOOLS:** The costs of supplies and tools used in the operation are allowed.
 - POWER:** Power costs pertaining to operations are an allowable deduction.
 - MAINTENANCE AND REPAIRS:** Normal maintenance and minor repairs should be entered here. Major one-time repairs should be listed as capital costs in the capital repairs and replacement section.
 - OFFICE AND ACCOUNTING:** The portion of the office and accounting expenses pertaining to operations are allowed.
 - ENGINEERING AND LEGAL FEES:** Engineering and legal fees associated with operations are allowed.
 - TREATMENT:** Treatment costs of products produced are allowed.
 - MISCELLANEOUS:** Any costs allowed by the State Tax Commission not listed above are allowed as a deduction. If you list miscellaneous costs, you must attach a schedule of those costs or they may not be allowed as a deduction.
11. **MISCELLANEOUS VARIABLE COSTS:** Any variable costs not listed under item 9 above are allowed under item 12. If you list miscellaneous variable costs, you must attach a detailed schedule of those costs or they may not be allowed as a deduction.

CAPITAL REPAIRS & REPLACEMENTS

12. The capital repairs and replacements section should include only costs associated with replacement of existing assets. Costs relating to the expansion of your operations are not allowed. Attach a schedule describing each cost.

COMMENTS

13. Include an explanation of any unique characteristics of this property that would affect market value. Also include all companies for which product is gathered, compressed or processed by your company.

The value of licensed vehicles utilized primarily in your operations will be deducted from the income valuation. Please submit a schedule with vehicle make, model, vehicle identification number, year of acquisition and your original cost.



UTAH STATE TAX COMMISSION
PROPERTY TAX DIVISION
NATURAL RESOURCE SECTION
OIL & GAS GATHERING SYSTEMS AND PROCESSING PLANTS
QUESTIONNAIRE FOR THE YEAR 2005

Rev. 01/2005

TAXPAYER: _____ TAXPAYER NO: _____
NAME OF FACILITY: _____ COUNTY: _____

GENERAL INFORMATION						
1	NAME OF FACILITY:					
2	GROSS REVENUE:					
	(a) GATHERING REVENUE:					
	(b) COMPRESSION REVENUE:					
	(c) PROCESSING REVENUE:					
3	PLANT VOLUME					
	(a) PRODUCT INPUT:					
	(b) PRODUCT SALES:					
	(c) PLANT SHRINKAGE:					
4	NGL PRODUCTION RATIO (GAL OF NGL'S/MCF OF GAS):					
5	GATHERING VOLUME:					
6	COMPRESSION VOLUME:					
7	SEVERANCE TAX ON PRODUCT PRODUCED:					
8	ROYALTY OWNERSHIP INTEREST					
	(a) FEDERAL:	(c) INDIAN:	(e) PRIVATE:			
	(b) STATE/COUNTY/LOCAL:	(d) TOTAL EXEMPT:	(f) TOTAL ROYALTIES:			
9	NAME OF PURCHASER OF PRODUCT:					
OPERATING COSTS						
		2004 ACTUAL	2005 ESTIMATED			
10	ATTACH A COPY OF A LEASE OPERATING STATEMENT OR LEASE OPERATING EXPENSE					
	REPORT OR DETAIL THE COSTS ON A SEPARATE SCHEDULE.					
	Examples of allowable costs include management salaries; labor; payroll taxes and benefits;					
	workers' compensation insurance; general insurance; taxes (excluding income and property taxes);					
	supplies and tools; power; maintenance and repairs; office; accounting; engineering; treatment;					
	legal fees.					
	TOTAL OPERATING COSTS (PER ATTACHED SCHEDULE)					
11	MISCELLANEOUS VARIABLE COSTS (\$/BBL,MCF) (attach schedule)					
CAPITAL REPAIRS & REPLACEMENTS						
	DESCRIPTION	2004	2005	2006	2007	2008
12						
COMMENTS						
13						

Utah State Tax Commission / Property Tax Division
2005 Annual Return
Comparative Balance Sheet

As of December 31, _____

Company Name _____

Taxpayer No. _____

	Entire System		Utah Only	
	Balance at End of Current Year	Balance at End of Preceding Year	Balance at End of Current Year	Balance at End of Preceding Year
1 Current Assets				
2				
3				
4 Other Assets				
5				
6				
7 Property Plant and Equipment				
8 Intangible well costs				
9 Tangible well costs				
10 Facility costs				
11 Exploration costs				
12 Other (explain)				
13				
14				
15				
16 Total Property Plant and Equipment				
17				
18 Depreciation and Amortization				
19				
20				
21 Total Assets				
22				
23				
24 Liabilities & Debt				
25				
26				
27 Owners Equity				
28				
29				
30 Total Debt & Equity				

Utah State Tax Commission / Property Tax Division
2005 Annual Return
Comparative Statements of Income

Year Ended December 31, _____

Company Name _____

Taxpayer No. _____

	Entire System		Utah Only	
	Current Year	Preceding Year	Current Year	Preceding Year
1 Operating Revenues				
2				
3 Operating Expense				
4 Lease Operating Expense				
5 Depreciation and Amortization				
6 Other Operating Expense (Explain)				
7				
8				
9				
10				
11				
12 Total Operating Expense				
13				
14 Earnings From Operations				
15				
16				
17 Income Taxes on Operations				
18				
19				
20 Net Operating Income				
21				
22				
23 Interest Expense				
24				
25				
26 Net Income				



Utah State Tax Commission / Property Tax Division
2005 RETURN OF ASSESSMENT
CONSTRUCTION WORK IN PROGRESS (CWIP) DETAIL
210 North 1950 West, Salt Lake City, Utah 84134

Taxpayer Name: _____ Taxpayer No: _____

County: _____ Tax Area : _____

Property Name: _____ Property No: _____

1. Description and Expected Completion of all CWIP projects.

Description of Projects(s)	Expected Date of Completion	Cost as of Jan 1, 2005
(a)		
(b)		
(c)		
(d)		
(e)		

2. Current Annual Capitalization Rate =

3. Present Value of Construction Work in Progress

CWIP Completion Date	Cost of CWIP	Present Value Factor	Present Value of CWIP
03/31/2005	X	0.974730734 =	
06/30/2005	X	0.950100003 =	
09/30/2005	X	0.926091673 =	
12/31/2005	X	0.902690016 =	
03/31/2006	X	0.879879702 =	
06/30/2006	X	0.857645787 =	
09/30/2006	X	0.835973708 =	
12/31/2006	X	0.814849265 =	
03/31/2007	X	0.794258622 =	
06/30/2007	X	0.774188290 =	
09/30/2007	X	0.754625120 =	
12/31/2007	X	0.735556297 =	
03/31/2008	X	0.716969329 =	
06/30/2008	X	0.698852040 =	
09/30/2008	X	0.681192562 =	
12/31/2008	X	0.663979325 =	
03/31/2009	X	0.647201056 =	
06/30/2009	X	0.630846759 =	
09/30/2009	X	0.614905724 =	
Total CWIP Cost =		Present Value of CWIP as of January 1, 2005 =	

This schedule is considered as part of the Return and is subject to the provisions mandated under Tax Commission Rule R884-24P-20 and Utah Code Annotated Sections 59-2-201 and 59-2-301.

01/01/2005



Utah State Tax Commission
Property Tax Division
Natural Resource Section
2005 LEASED ASSETS

Taxpayer: _____

State Taxpayer No: _____

Property Name: _____

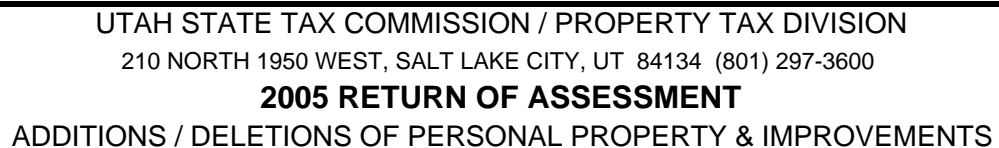
Tax Area: _____

County: _____

Property X-Ref No: _____

Please list all leased assets on your mine site for which you are not responsible for paying the property taxes.

DESCRIPTION OF LEASED ASSET	RENTAL EXPENSE	EQUIP. COST	LESSOR
			NAME:
			ADDRESS:
			TELEPHONE NUMBER:
			NAME:
			ADDRESS:
			TELEPHONE NUMBER:
			NAME:
			ADDRESS:
			TELEPHONE NUMBER:
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			NAME:
			ADDRESS:
			TELEPHONE NUMBER:
			NAME:
			ADDRESS:
			TELEPHONE NUMBER:



Taxpayer No: _____

County: _____

Property No.: _____

[illegible]

1/1/2005